

**Remarks to the General Assembly**  
**March 27, 2013**  
*-as prepared-*

I appreciate the opportunity to speak this morning. I'm well aware this is an extremely busy time, and I'm grateful for the opportunity to come before you today. It is the first time I've asked to do this outside of the State of the State, but I asked for this opportunity because...

There is no more important issue, or more complex issue facing our country and our state today than healthcare, and I wanted to update you about where we are regarding Medicaid expansion.

This may look like a simple decision. On one side, people think how could we not accept federal money to expand Medicaid to cover more Tennesseans and on the other, why in the world would we accept funds tied to ObamaCare knowing the federal government can't pay for it? But it isn't that easy.

Let me start by saying there are two basic reasons I don't like ObamaCare.

The first is cost. Regardless of whether we decide to cover any additional people through the Act, Obamacare will cost the state of Tennessee almost two billion dollars over the next eight years.

I want to be clear – That is our additional cost *regardless* of whether or not we cover any new enrollees.

Secondly, and maybe even more important than not addressing cost, it doesn't address the real issues of health reform – users and payers not being aligned and providers and payers not being in alignment.

When you go to the grocery store, there is a shopper, a product and the store. The shopper knows what the store charges for each item and pays for those items.

With health care, shoppers go to the store, pick out whatever they like - sometimes with a representative of the store suggesting additional items - and then going to check out knowing that someone else will pay the bill. Governor Bredesen made this comparison in his book, *Fresh Medicine*.

The shopper also rarely knows what the store is charging. Only in health care do we buy something without first knowing the cost.

On the provider side, providers are paid based on a fee for each service or product, not on the outcome of care.

Market tension is what controls cost and promotes quality. There is no market tension when you buy or sell health care goods and services.

To me, the scandal of the Affordable Care Act is that it doesn't significantly address cost or alignment reform.

And that's what Washington does – it looks at a complex problem, realizes that some people aren't going to like the changes, and as a solution, decides to spend more money.

So, many of us are tempted to say, "That's right, Washington created the problem. They can fix it," but it's not just their problem, it's ours.

1. We all know that in Tennessee, we have serious problems with health care.
2. We're doing a better job than the rest of the country in controlling costs of Medicaid growth, but they're still taking a larger and larger percentage of our budget.
3. We've all met people across this state who don't have healthcare coverage and whose families are in incredibly difficult positions that we agree should have coverage. A lot of us in this room have a real concern for those the Bible refers to as "the least of these."
4. Our hospitals - and I know it is harder to identify with the image of a struggling hospital than a struggling Tennessean – but they've been put in a very difficult position by the Affordable Care Act.

They are losing many of the funds which they received to provide healthcare for our state's indigent. While many hospitals can survive this, I am convinced that several of our hospitals will be left in an impossible situation and will not survive this transition. Some of our communities – rural and urban – could very well lose their community hospital.

5. Tennessee businesses could also pay a steep price. In addition to the myriad of taxes and fees associated with the Affordable Care Act, our businesses stand to lose 50 to 70 million dollars a year.
6. Finally, there is at least 20 million dollars a year at stake for our local governments who currently take responsibility for indigent care in their communities.

Let me read you a quote: *"Soaring health care costs make our current course unsustainable...And the ever-increasing cost of Medicare and Medicaid are among the main drivers of enormous budget deficits that are threatening our economic future. In short, the status quo is broken, and pouring money into a broken system only perpetuates its inefficiencies."*

Do you know who said that? President Obama in 2009.

Unfortunately, President Obama's plan was reform in name only and is costing us a lot of money. That's why a lot of us in this room don't like the plan.

But I believe it is our job as leaders to pursue real health care reform here in Tennessee. It is our job to say what we're for in terms of addressing the biggest issue facing us.

For the last several months, I've been working toward a "Tennessee Plan" for health reform to change the way health care coverage looks in Tennessee.

I understand those who don't think it makes sense for us to just say that Tennessee isn't going to accept the federal dollars because we don't like ObamaCare.

But this state also has nearly 20 years of experience providing health care coverage through a Medicaid managed care program, and we are all too familiar with all of the federal rules and restrictions that prevent us from operating the program as efficiently as possible.

A pure expansion of Medicaid – expanding a broken system - doesn't make sense for Tennessee either.

That's why I've been working toward a third option: to leverage the federal dollars available to our state to transform health care in Tennessee without expanding our TennCare rolls.

I'd like to put in place a program to buy private health insurance for Tennesseans that have no other way to get it by using the federal money.

I fundamentally believe that people having health care coverage is better for our citizens and state than people not having coverage.

The plan would include co-pays for those that can afford to pay something, so the user has some skin in the game when it comes to health care incentives.

We would work with providers to lower the cost of care and to move from a model of paying for every service regardless of the result, to a payment method that is based on outcomes and quality care.

Our plan would have a definitive circuit-breaker or sunset that could only be renewed with the General Assembly's approval based on when the amount of the federal funding decreases.

During that period when our costs are covered 100 percent by the federal government, we'd work with our medical care providers to implement true payment reform. I am confident that working together, we could truly reduce medical costs.

We'd have a one-time opportunity to encourage their cooperation because health care providers will know that for the next three years, a portion of the population which had previously been receiving services with no reimbursement to the hospitals or doctors, will now have insurance.

But those same providers would clearly know that coverage for that population will go away unless they can prove to us that at the end of three years, when we start paying a percentage of the costs of the new population our total costs would stay flat.

That is a high bar for our providers. But I'm convinced that they can do it, and my conviction is based on the fact that the hospitals and medical providers have put a lot of sincere effort into working with us toward payment reform. I cannot emphasize enough how much I've been impressed with our hospitals' willingness to work with us.

To succeed, we also need cooperation from the Department of Health and Human Services, and we can't get the same assurances from them at this point.

Until we get those assurances, I cannot recommend to you that we move forward on this plan. Our budget amendment will not include language to accept the federal funds.

There are a lot of federal requirements that come with Medicaid that make it difficult to provide quality care in the most cost-effective way possible. Instead of insuring more people through an inherently flawed system, we'd hoped to purchase private insurance to insure as many as 175,000 more Tennesseans.

To do that, HHS says we have to provide additional benefits, above and beyond what everyone else in the exchange will receive.

We'll also have to follow certain Medicaid-driven guidelines when it comes to co-pays and the appeals process instead of allowing these individuals to be treated like everyone else in private insurance plans.

The end result is that these Tennesseans would be receiving services from both the private insurer and TennCare.

We have experience with such a scenario today in the form of dual eligibles - people who receive both Medicare and TennCare. It is dysfunctional and not in the state's best interest to set up again.

The whole reason to accept these federal dollars would be to leverage them to shape and impact health care coverage in Tennessee.

All we're asking from Washington is to allow us to use the funds to provide coverage on the health care exchange in the same way many other Tennesseans will access coverage whether or not we expand. It's a reasonable ask.

In the past several years, Tennessee has shown the nation how to produce true reform in education, based on students' results and educational outcome. We are beginning to do the same thing with reforming government service – again by measuring outcome and results rather than just years of service as a state employee.

I honestly feel that we have a once in a lifetime opportunity to do the same thing in healthcare: To have a healthcare system that is based on outcomes. To have a healthcare system that is based on a healthier Tennessee, which I think we can all agree is essential for our future. Our plan can save Tennessee money, and if it does, it will also save the federal government at least three dollars for every one dollar we save and in some cases even more.

I believe that Tennessee can be a model for what true healthcare reform looks like – to cover more Tennesseans and to take significant steps to save Tennessee and the United States from the unsustainable path we are on now.

So here are my two promises: First, we commit to you that we have no intention of pursuing this path without your engagement, involvement and approval. Second, we'll continue to pursue a vision for a healthier Tennessee with access to health care, but at a lower cost for our state and our country.

It's my hope that we can provide quality healthcare for more Tennesseans while transforming the relationship among health care users, providers and payers. If Tennessee can do that, we all win.

Thank you for the privilege of being here and for the honor of working with you as your Governor.

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